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Addendum

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President's summary

Plugging financial leakages and mobilizing domestic and international resources to deliver on the Sustainable Development Goals

(Agenda item 2 (c))

1. The third panel of the high-level segment consisted of the Ambassador and Permanent Representative of the Permanent Mission of Jamaica to the United Nations (New York), the Global Leader Fellow of Oxford University and former Minister of Planning and Evaluation of Public Policies of Togo, the Director of the Economic Development Division of the Economic Commission for Latin America and the Caribbean of the United Nations and the Minister Plenipotentiary of the Permanent Mission of Nigeria to the United Nations (New York). A Professor of Jawaharlal Nehru University in New Delhi moderated the discussion.

2. The Deputy Secretary-General of UNCTAD emphasized in her opening remarks that mobilizing resources, both domestic and international, was crucial to achieving the Sustainable Development Goals. In that respect, plugging financial leakages and tackling illicit financial flows were key to meeting the 2030 Agenda for Sustainable Development and reducing poverty and inequality in developing countries. One panellist and several delegates highlighted the lack of an agreed definition of illicit financial flows. Another panellist explained the difference between "illicit" and "illegal" financial flows, arguing that financial leakages could be licit or illicit, on the one hand, and legal or illegal, on the other. Some panellists and delegates pointed out that, in many cases, legal outflows, such as those associated with tax avoidance, constituted the bulk of outflows and should therefore be included as illicit financial flows.

3. Some panellists and delegates noted that, given the lack of a single agreed definition of illicit financial flows, it was a challenge to come up with a precise estimate or measure of illicit financial flows. Several panellists and delegates mentioned illicit financial flow figures ranging from $50 billion a year for Africa, to up to $500 billion a year for Asia. Some participants also noted ongoing work by UNCTAD and the United Nations Office on Drugs and Crime, together with the Economic Commission for Latin America and the Caribbean and the Economic Commission for Africa, to develop a common methodology to measure illicit financial flows. Overall, panellists and participants highlighted the significant impact of losses on government revenue and, therefore, potentially also on the resources available for the development agenda due to financial leakages, such as corruption, criminal activities, tax evasion and avoidance and, most recently, as noted by one panellist, the use of cryptocurrencies to transfer money from criminal activities. Some panellists stated that developing countries had made efforts to improve tax collection, but that they were confronted with significant challenges that hindered their resource mobilization efforts and they sometimes lacked the capacity to take action or had little saying in international norm-setting by developed countries. In addition to building capacity in developing countries to strengthen tax administration and custom duty collection, some participants noted that the issue of illicit financial flows called for international cooperation at the global and regional levels, given the cross-border nature of those flows.

4. Several panellists and participants suggested different policy recommendations to reduce financial leakages, namely, setting up an intergovernmental body to combat illicit financial flows through improved financial regulation; improving fiscal transparency; reconsidering excessive fiscal and related incentives to attract foreign direct investment; considering a unitary approach to the taxation of multinational companies; and strengthening asset recovery.